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SPSS Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Nathan Schneiderman – Roth Capital Partners

Nathan Schneiderman – Roth Capital Partners

Real nice job on the cost controls and the operating margin, looking forward, I was surprised that the sales in marketing and the R&D declined so much on a sequential basis, so I was hoping you could help with the modeling of, how we should think about that going forward, is that the base level or was there anything of a one time nature, maybe as you discuss that you had gone over some of those details on the capitalized software fairly quickly, so I was wondering if some of the low level of R&D reflected the capitalized software for the Q4.

Raymond Panza

Start with the R&D because I know that's an issue of particular concern, you know over the last several years we've rationalized facilities, we have not in any way retrenched on our R&D development efforts. We continue to expand in China and we continue to expand in our four key locations around the world. We believe we are at a stable level now to continue to invest in R&D and so what you're seeing right now is a continuing spend rate for normal increases of inflation, salary increases and so forth.

What you're not seeing is any shift between expense versus capitalization. Our expenditures were up in the second half of the year as we purchased some software. That drove the higher level of capitalization. There was not a change in the expensing of what our expenditures were. Looking at sales marketing and services, there is a change there in that we were spending more heavily this year in a difficult economy putting more into our marketing efforts, putting more into our sales channels as we shifted particularly late third quarter and early fourth quarter from an efficiency standpoint and to get the right people into the right jobs.

We will continue to invest in our sales marketing and services business despite the economy, I want to be clear, we're not in any way retrenching. We believe that we are well positioned in the marketplace right now and we intend to continue to be aggressive.

Nathan Schneiderman – Roth Capital Partners

And then just if we look at the March 2008 quarter we saw sequential increases in maintenance and in services, do you see that, do you see the seasonality of those lines behaving similarly in Q1 2009 or is that not likely to be the case.

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